

Message Text

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PAGE 01 AMMAN 04250 281438Z
ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 ONY-00 /011 W
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P 280814Z JUL 77
FM AMEMBASSY AMMAN
TO SECSTATE WASHDC PRIORITY 2548

C O N F I D E N T I A L AMMAN 4250

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ONLY FOR NEA/ARN DRAPER FROM PICKERING

E.O. 11652: GDS
TAGS: MASS, JO, SA, US
SUBJECT: JORDAN FY 75 FMS CREDIT

REF: STATE 172365

1. I CONTINUE TO BE CONCERNED ABOUT OUR ROLE IN HANDLING JORDAN
FY 75 FMS CREDIT. REFTTEL SEEMS TO ME TO COMPLICATE SITUATION
RATHER THAN PROVIDE ANY HELP.

2. SITUATION FROM HERE IS RELATIVELY SIMPLE. IF REFTTEL CONTINUES
IN EFFECT, MY READING WOULD BE THAT WE WILL TAKE NO FURTHER
ACTION IN SUPPORT OF SECURING PAYMENT FROM SAUDIS FOR FY 75
FMS. THIS IS DIRECTLY CONTRARY TO OUR UNDERSTANDING THAT SAUDIS
ARE FULLY AND DIRECTLY RESPONSIBLE IN WRITING FOR THE REPAYMENT
OF PRINCIPAL. IF SUCH IS THE CASE, AND IF JORDANIANS DO NOT
SUCCEED ON THEIR OWN, THEN THE NEXT PAYMENT, WHENEVER DUE
WILL RAISE THE PROSPECT OF DEFAULT ALL OVER AGAIN. BUT HAVING
ESTABLISHED THE PRECEDENT, DOD AND FFB WILL ONCE AGAIN LOOK TO
JORDAN TO PAY WHILE WE TREAD SOFTLY WITH THE SAUDIS. THE END
RESULT WILL BE TO GUARANTEE THAT AT SOME POINT JORDAN WILL INDEED
DEFAULT BECAUSE WE ALL KNOW THAT PROGRAM WAS SET UP IN THIS
FASHION (SAUDIS TO REPAY) BECAUSE JORDAN: (A) COULD NOT REPAY
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AND, (B) IF IT DID TRY TO REPAY IT WOULD HAZARD THE BUDGET
SUPPORT PROGRAM. THE LOGIC IN CASE OF THE LATTER FACTOR AS YOU
KNOW IS THAT A COUNTRY RECEIVING BUDGET SUPPORT WHICH IS FUNGIBLE
SHOULD NOT ALSO BE REPAYING THE USG FOR FMS DEBTS BECUSE THERE
IS JUST NO WAY THAT BUDGET SUPPORT, OUTLAWED FOR MILITARY
PURPOSES, CAN BE EXCLUDED FROM THE POSSIBILITY OF BEING USED
TO REPAY THE MILITARY DEBTS.

3. THUS WE HAVE MERELY POSTPONED THE PROBLEM OF THE FIRST
DEFAULT ON FMS CASES BECAUSE WE HAVE FAILED TO INDICATE TO
SAUDIS THAT IT IS THEIR UNDERTAKING, NOT JORDAN'S, TO REPAY.
IF THE DOCUMENTS IN THIS CASE INDICATE ANYTHING ELSE THEN THEY
WERE DRAWN CONTRARY TO OURS AND DEPARTMENT'S UNDERSTANDING OF THE
POLICY AND SHOULD BE RECTIFIED. I JUST CANNOT UNDERSTAND HOW
CABLE COULD BE SENT OUT WHICH SAYS THAT "EMBASSY JIDDA CANNOT
NOW ACTIVELY PRESS SAUDIS FOR PAYMENT". IN MY JUDGEMENT THIS
IS COMPLETELY CONTRARY TO THE FACTS IN THE SITUATION AND DIRECTLY
CONTRARY TO SAUDI UNDERTAKING. FURTHER, IF SAUDIS AT LEAST NOT
HELPED ALONG BY US, AND SENT BILLS ON TIME BY DOD AND FFB, THE
NEXT PAYMENT WILL ALSO END UP WITH THE SAME SNAGS. SORRY TO BE
SO DISTURBED ABOUT THIS ONE, BUT I THINK IT HAS BEEN BADLY HANDLED
AND CONTINUES TO BE SO. I ASSUME THAT SINCE WE HAVE HAD NO
REPORT OF ANY MEETING OF JULY 23, THERE WILL BE NONE AND THERE
WILL ALSO BE NO FOLLOW UP. I SUGGEST AT LEAST THAT JIDDA FOLLOW
UP, TELLING SAUDIS WHAT HAS HAPPENED AND ASKING THEM TO MAKE
GOOD ON THEIR OBLIGATION. I AM CONTINUING TO PRESS HERE ALSO
WITH JORDANIANS. PLEASE ADVISE.
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